

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 901 – SB 1227**

May 2, 2017

**SUMMARY OF ORIGINAL BILL:** Requires the Bureau of TennCare, on or after October 1, 2017, to monitor the use of prescribed opioids by TennCare enrollees and require prior authorizations in certain circumstances, except for enrollees with medical conditions that warrant an exemption, through a state pharmacy benefit manager or managed care organization contract.

**FISCAL IMPACT OF ORIGINAL BILL:**

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (007157):** Deletes all language after the enacting clause. Requires the Bureau of TennCare, on or after October 1, 2017, to monitor, restrict, require, and develop certain criteria pertaining to opioids. Requires the Bureau to develop exemptions from the prior authorization requirements for enrollees with medical conditions that justify a longer period of use or a higher dosage of opioids; provided the exemptions specified in Tenn. Code Ann. § 53-10-310(e)(6) shall also be included in the exemptions developed.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Expenditures - \$2,477,700**

**Increase Federal Expenditures - \$4,725,900**

Assumptions for the bill as amended:

- Based on information provided by the Bureau of TennCare (Bureau), as of April 1, 2017, the Bureau's dispensing fees will increase to \$8.33 for high-volume pharmacies and \$10.09 for low volume pharmacies.
- It is assumed the proposed legislation will only affect TennCare enrollees beginning opioid prescriptions after the effective date of the proposed legislation.
- Restricting each opioid prescription to provide no more than a seven day supply and no more than 120 morphine milligram equivalents (MME) will result in the Bureau paying for four dispensing fees for enrollees on chronic opioid therapy for a 30-day supply and

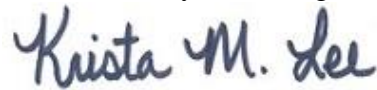
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impacting the prescription limits of the enrollees. It is estimated the Bureau will pay at least \$403 more per year in dispensing fees per enrollee on chronic opioid therapy.

- In the last quarter of 2016, there were 3,943 enrollees who started prescriptions for opioids and continued use beyond a 90-day supply. Assuming similar enrollment numbers and use in future quarters and extrapolating that out to one year would result in 52 dispensing fees instead of 12 per enrollee, resulting in an increase in expenditures estimated to exceed \$5,238,570  $(((52 \text{ dispensing fees} \times \$8.33) - (12 \text{ dispensing fees} \times \$8.33)) \times 15,722 (3,943 \times 4 \text{ quarters}) \text{ enrollees})$ .
- Assuming five percent of enrollees, or 786  $(15,722 \times 5.0\%)$  appeal the prior authorization requirements and MME limits at a cost of \$2,500 per appeal, the increase in expenditures is estimated to exceed \$1,965,000  $(786 \text{ enrollees} \times \$2,500 \text{ per appeal})$ .
- The total increase in expenditures is estimated to exceed \$7,203,570  $(\$5,238,570 + \$1,965,000)$ .
- Medicaid expenditures receive matching funds at a rate of 65.605 percent federal funds and 34.395 percent state funds. Of the minimum \$7,203,570 in total increased expenditures, at least \$2,477,668  $(\$7,203,570 \times 34.395\%)$  will be in state funds and at least \$4,725,902  $(\$7,203,570 \times 65.605\%)$  will be in federal funds.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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